

Message Text

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TO SECSTATE WASHDC IMMEDIATE 7789

C O N F I D E N T I A L OECD PARIS 17105

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FOR PLACKE (EB/OFP) FROM J. L. KATZ

E.O. 11652: GDS
TAGS: EAGRI
SUBJECT: GRAIN RESERVES

1. FOLLOWING ARE COMMENTS OF ENDERS AND MYSELF ON JUNE 26 DRAFT OPTIONS PAPER ON GRAIN RESERVES FOR IFRG. UPON REFLECTING THOSE COMMENTS IN PAPER YOU SHOULD DISTRIBUTE TO RELEVANT MEMBERS OF IFRG WORKING GROUP FOR DISCUSSION AT MEETING OF WORKING GROUP WHICH YOU SHOULD SCHEDULE FOR 4:00 JULY 3.

2. PAPER IS ON THE WHOLE AN EXCELLENT PRESENTATION OF THE ESSENTIALS OF THE GRAIN RESERVES SCHEME AND INTER-AGENCY DISAGREEMENTS. SPECIFIC COMMENTS AS FOLLOWS:

A. ON PAGE 11 NOTE THAT PRICE PREFERENCE OPTION WOULD REQUIRE THAT GOVERNMENT HOLD STOCKS OR SUBSIDIZE EXPORTS DIRECTLY TO ASSURE PRICE PREFERENCE. BURDEN FOR THIS OPTION LIKELY TO FALL ON MAJOR EXPORTERS.

B. SIMILARLY PAPER SHOULD NOTE THAT LDC GRAIN RESERVE OPTION LIKELY TO BE BORNE BY EXPORTERS ALONE WITH USG BEARING LARGE BURDEN.

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C. SECTION ON TRADE LIBERALIZATION NEEDS REWRITING

TO REFLECT PROS AND CONS. E.G. INTRODUCTION TRADE LIBERALIZATION MIGHT OPEN AVENUES FOR BREAKING MTN DEADLOCK. ON OTHER HAND EC AND JAPAN WILL ARGUE SUCH SUBJECT BELONGS IN MTN WHERE PROPER CREDIT CAN BE GIVEN FOR TRADE CONCESSIONS (I.E. INDUSTRY FOR AGRICULTURE). OPTION 2 SHOULD REFLECT NOT ONLY INTEREST OF US BUT TRADE OFF OF SUPPLY ASSURANCE AGAINST TRADE LIBERALIZATION. OPTION 3 CONFUSING AS PRESENTLY DRAFTED. ALL THREE OPTIONS SHOULD STATE PROPOSAL AND FOLLOW WITH PROS AND CONS.

3. AS FINAL COMMENT SUGGEST YOU ANTICIPATE IMB REQUEST FOR COST/BENEFIT ANALYSIS WITH WHATEVER DATA YOU CAN INCORPORATE FROM PREVIOUS ANALYSIS (E.G. PAARLBURG STUDY). YOU MIGHT ALSO MAKE POINT AT OUTSET THAT BASIC ISSUE IS NOT WHETHER US WILL HOLD RESERVES BUT WHETHER BURDEN WILL BE SHARED BY OTHERS AND EXTENT TO WHICH THIS CAN OR SHOULD BE ASSUMED.

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